

#### Members

Rep. William Crawford, Chair  
Rep. Charlie Brown  
Rep. Susan Crosby  
Rep. Mary Kay Budak  
Rep. Gary Dillon  
Rep. Dave Frizzell  
Sen. Patricia Miller, Vice-Chair  
Sen. Marvin Riegsecker  
Sen. Robert Meeks  
Sen. Vi Simpson  
Sen. Rose Antich  
Sen. Samuel Smith, Jr.



## INTERIM STUDY COMMITTEE ON MEDICAID OVERSIGHT

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Authority: Legislative Council Resolution 00-1  
(Adopted May 25, 2000)

### MEETING MINUTES<sup>1</sup>

Meeting Date: July 24, 2000  
Meeting Time: 10:30 A.M.  
Meeting Place: State House, 200 W. Washington St.,  
Room 404  
Meeting City: Indianapolis, Indiana  
Meeting Number: 1

**Members Present:** Rep. William Crawford, Chair; Rep. Charlie Brown; Rep. Susan Crosby; Rep. Mary Kay Budak; Rep. Gary Dillon; Sen. Patricia Miller, Vice-Chair; Sen. Marvin Riegsecker; Sen. Robert Meeks; Sen. Rose Antich.

**Members Absent:** Rep. Dave Frizzell; Sen. Vi Simpson; Sen. Samuel Smith, Jr..

Rep. William Crawford, Chair of the Committee, called the first meeting of the Interim Study Committee on Medicaid Oversight to order at 10:40 a.m. After Committee members introduced themselves, Rep. Crawford stated that there would likely be four Committee meetings, with a possibility for a fifth meeting.

### Overview of Functions Contracted Out by the Office of Medicaid Policy and Planning (OMPP)

**Ms. Judith Becherer, Director of the Long Term Care Program, OMPP:** After introducing other staff from the Family and Social Services Administration and OMPP who were in attendance, Ms. Becherer provided an overview to the Committee of the various Medicaid and Children's Health Insurance Program (CHIP) functions that OMPP contracts with third parties to provide.

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<sup>1</sup> Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.ai.org/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

A summary of the major Medicaid contracts (with contractors in parentheses) are described below. Additional details of Ms. Becherer's testimony are provided in Exhibit 1<sup>1</sup>.

**Fiscal Agent and Related Operations Contracts:** (1) Claims processing and related services (Electronic Data Systems - EDS); (2) Medical policy and review services (Health Care Excel); and (3) Third-party liability and drug rebate services (EDS).

**Rate-Setting and Auditing Contract Monitoring:** (1) Long term care rate-setting (Myers and Stauffer); (2) Long term care auditing (Clifton Gunderson L.L.C.); and (3) Hospital rate-setting, auditing, and other program consulting services (Myers and Stauffer).

**Managed Care Contract Monitoring:** (1) Managed care organization contracts (Maxicare Indiana, Inc. and Managed Health Services); (2) Enrollment broker control (Lifemark Corporation); (3) Fiscal agent managed care duties (EDS); (4) External quality review (Health Care Excel); and (5) Managed care organization capitation rate development (Milliman and Robertson).

**Data Management and Analysis Contract Monitoring:** (1) Medicaid forecasting and budgeting (Milliman and Robertson); and (2) Medicaid data analysis (MedStat).

The various CHIP contracts (and contractors) include the following: (1) CHIP Quality Assurance Project (KPMG); (2) Premium collection (Select Billing); (3) Coordination Project (KPMG); (4) Evaluation (Engquist, Pelrine, and Powell); (5) Survey of the uninsured (Health Management Associates); and (6) Health coverage expansion (Health Management Associates).

Sen. Meeks and Rep. Crawford requested additional information from OMPP regarding the cost of contracts broken out by contractor, including the amount of administration costs. Sen. Riegsecker requested a diagram showing all contractors and sub-contractors.

Ms. Becherer, responding to a question from Rep. Brown, stated that OMPP has always contracted with third parties to provide these functions and that OMPP has never performed these functions in-house. Ms. Becherer also stated that the federal government does not impose restrictions on the administrative costs of state Medicaid programs. Rather, whatever administrative costs are incurred are typically shared at a 50% rate. However, some administrative costs are shared at an enhanced rate of 75%.

## **Overview of Recent Activities of the Medicaid Advisory Committee**

**Mr. Jim Jones - Chair of the Medicaid Advisory Committee:** Mr. Jones stated that he has been the Chair of the Medicaid Advisory Committee (MAC) for the last year and briefly described the membership of the committee. (According to IC 12-15-33-3, the committee consists of 31 members: ten appointed by the Governor; 19 appointed by OMPP; and two members appointed by the leadership of the House and Senate.) Mr. Jones added that the MAC is required by both federal and state statutes.

Mr. Jones stated that the MAC serves in an advisory role to OMPP and to the Indiana Children's Health Policy Board. He added that OMPP brings rules to the MAC before publishing them and that last year OMPP brought nine rules before the committee. The public is also allowed to comment on the rules at MAC meetings.

Mr. Jones described his observations of the previous year:

(1) The relationship between the MAC and OMPP is less contentious than in the past.

(2) There were initially some problems with the contractors of OMPP, especially with respect to Medicaid claims processing. However, claims processing is currently going reasonably well.

(3) There were no problems with respect to the Y2K situation.

(4) OMPP provides quarterly reports to the MAC regarding the Hoosier Healthwise program. Mr. Jones stated that there has been a significant increase in health care provided to children due to higher enrollment in the Hoosier Healthwise program. He added that this increased enrollment has been accomplished without the stigma sometimes associated with the Medicaid program.

Mr. Jones also stated that the Medicaid program is exceeding budget projections and that he sees this as an important future issue for the Committee to follow. He contended that this problem is due to: (a) higher enrollment for the CHIP program than was anticipated due to significant outreach efforts; (b) there was an aggressive effort to get people off of welfare and now some of these people are beginning to come back into the program; and (c) pharmacy costs continue to increase because of an aging population and the development of new, more expensive drugs.

Mr. Jones also described two issues that he believes will be priorities for OMPP: (1) the level of physician reimbursement rates will need to be addressed again because these rates have not increased since 1991, and a bill increasing reimbursement rates passed by the General Assembly last session was vetoed by the Governor; and (2) the impact of HIPAA (the Health Insurance Portability and Accountability Act of 1996). Mr. Jones explained that HIPAA imposes significant requirements on the provider community regarding information systems and the standardization of data.

Summarizing, Mr. Jones stated that Kathy Gifford (Assistant Secretary of OMPP) and her staff have been exceptionally supportive and cooperative with the MAC. Whenever the committee has asked for information, OMPP has provided the information in a timely fashion. Mr. Jones added that contentious issues normally get resolved more smoothly than with the prior administration.

Rep. Brown requested from OMPP a regional and national comparison of Indiana's Medicaid reimbursement rates. Rep. Crosby requested information on the timeliness of provider reimbursement, especially in rural areas. Rep. Crawford also requested that a county-by-county comparison of physician participation in the Hoosier Healthwise program be provided.

Rep. Brown asked Mr. Jones if he believed there would be a stigma associated with the new prescription drug program being developed in Indiana. Mr. Jones responded that he didn't know, but that OMPP has been very successful minimizing any stigma associated with the Hoosier Healthwise program. He stated that Hoosier Healthwise has been made to look more like a typical insurance program than the Medicaid program, and that both providers and clients appreciate this.

## **Update from EDS**

Ms. Mary Simpson provided a quarterly summary document to the Committee showing various statistics for all Medicaid programs and for Hoosier Healthwise "Package C" (Exhibit 2<sup>1</sup>). The document included the following data: (1) dollars of claims, both paid and allowed; (2) claims payments, denials, adjustments, original claims, and days for adjudication; (3) number of eligible recipients and recipients receiving services; and (4) number of providers, both enrolled and participating.

Ms. Simpson also provided data on dental services, including (1) the number of dental providers, both enrolled and participating; (2) dental providers by specialty area; (3) dental service recipients, both eligible and participating, and by all members and children; and (4) the number and amount of dental claims. (See Exhibit 3<sup>1</sup>).

Ms. Simpson also provided information on customer assistance phone volume (see Exhibit 4<sup>1</sup>).

In response to a question from Sen. Riegsecker, Ms. Simpson noted that 85% of all provider claims are submitted electronically.

Committee members requested that Ms. Simpson provide additional information on: (1) the reasons for denial of claims; (2) geographic distribution of dental providers; and (3) the average number of clients seen by dental providers.

## **Public Testimony**

Rep. Crawford invited brief public testimony on what issues the Committee should consider at its future meetings.

**Ms. Maureen Hoffmeier - IN Academy of Family Physicians, IN Academy of Ophthalmologists** Ms. Hoffmeier suggested that claims processing and reimbursement problems that her organizations were experiencing were no longer with EDS, but rather with the managed care organizations. She suggested that the Committee solicit claims data from these companies.

**Mr. John Young - Indiana Brain Injury Association** Mr. Young suggested that the Committee study Medicaid waivers, especially the Traumatic Brain Injury waiver. He mentioned specific concerns including the number of available slots within the waiver and the way those slots are managed.

Rep. Dillon requested information from OMPP on how many waiver slots were currently filled.

**Mr. Vince McGowan, Indiana Health Care Association** Mr. McGowan suggested that the Committee study: (1) the continuum of long term care options and the development of waivers; and (2) the nursing and staff shortages experienced in the long term care industry and how nursing facilities can better hire, train, and retain staff.

**Mr. Lou Belch, Indiana Primary Health Care Association** Mr. Belch suggested that the Committee consider sponsoring legislation to extend expiring legislation, specifically: (1) continuation of cost-based reimbursement for community health centers; and (2) payment of a triage fee in emergency rooms of hospitals for patients in the Primary Care Case Management program.

## **Committee Discussion**

Rep. Crawford invited comments and suggestions from Committee members as to the Committee's future direction.

Sen. Meeks stated that he was interested in learning more about certain federal legislation, specifically HR 1180 regarding Medicaid buy-in. Sen. Meeks also stated some concerns about a letter that had been sent to health care facility administrators suggesting a "black listing" of certain administrators. Committee members suggested that these issues should be addressed by a different committee.

Rep. Budak raised a concern about charges for copying medical records. Rep. Budak told of a Lake County woman who was obtaining medical records for her attorney and was presented with a bill for \$55.50 for copying and a Medicaid worker's time. Ms. Becherer, OMPP, responded that the customary copying charge is \$0.15 per page and is established by the Indiana Department of Administration.

Rep. Brown expressed concerns about the sub-contracting practices for pharmacy services in the Medicaid Managed Care program and the impact these practices may have on client access to pharmacy services. The problem involves a contract between Managed Health Services (MHS) and CVS Pharmacy to the exclusion of Walgreen's Pharmacy. Rep. Brown stated that he had been told by the CEO of MHS that MHS was committed to eliminating exclusive contracts for these services. Mr. Mike McKinney, Medical Director for MHS, and Mr. Barry Posner, MIM Corporation (a subcontractor of MHS involved in various aspects of MHS's pharmacy program) briefed the Committee on MHS's contractual situation. Committee members requested additional information from OMPP as to whether this situation has been totally resolved.

Sen. Riegsecker requested information from OMPP as to the relative costs to the state of providing Medicaid services through OMPP's managed care program as compared to its traditional program.

Rep. Brown suggested that the Committee should consider studying the prescription drug issue. Rep. Brown requested information from OMPP regarding how much coverage \$20 million would provide (this is the amount of the Tobacco Settlement targeted by the General Assembly in recent legislation for a state prescription drug program). Sen. Antich stated that she had introduced a bill in the 2000 session establishing a prescription drug program and requested that LSA provide fiscal information to the Committee.

Sen. Miller and Sen. Meeks requested information from OMPP regarding the number of entities that Medicaid dollars pass through before services are ultimately provided to a client and what the total administrative costs are as a percent of total program expenditures.

Rep. Dillon suggested studying the true costs of the Community and Home Options to Institutional Care for the Elderly and Disabled (CHOICE) program relative to the costs of nursing home stays. Rep. Dillon also requested information from OMPP regarding the relationship between Medicaid and Medicare, especially with respect to hospice care and spend down requirements.

Rep. Crawford suggested that the Committee's next meeting would take place during the last week in August and requested that members provide staff with possible meeting dates.

Rep. Brown announced that the next meeting of the Health Finance Commission was rescheduled from August 1 to August 8.

There being no further business to consider, the meeting was adjourned at 12:10 p.m.